

March 20, 1975

ANNUAL NEWSLETTER TO STOCKHOLDERS

Review of 1974

In general, 1974 could be termed a "good" year. After four seasons of growth pains, derailments, mechanical failures, adverse weather, and other near disasters, the Creeper ended the season and calendar year in the black—no dividends yet for the loyal, trusting, and long suffering stockholder—wait 'till next year. In 1974, operations were blessed with generally favorable weather, a good response to advertising, and the successful introduction of some new concepts.

As we approached 1974, we had or were just emerging from an energy crunch. We were somewhat fearful that customers would be few and far between. We did reason that our market would be geographically close—the Wasatch Front—and directed our advertising to that market. It worked. We did note, however, in our spot surveys that out-of-state ridership was also up from 1973.

During 1974, we introduced a number of new concepts:

1. Our school charter program was re-packaged and filled the month of May with runs to the dam—we hauled approximately 6500 students. Although not a big money maker, it did begin a cash flow at a time when it was dearly needed.

2. Our NIGHT TRAIN concept proved to be a fun and exciting new approach. We "turned them away" on Fridays and Saturdays for most of the season. "No-shows", in spite of several remodeling attempts at the reservation process, prevented us from actually hauling capacity loads. The day diner was wiped out during most of the month of July because of mechanical problems with the power source to drive generators to provide air conditioning, but proved to be a nice addition to our scenic steam excursions.

3. We operated Bridal Veil Falls on a lease basis for the season. The gift and snack bar operation literally paid for the ticket sales—we sold 26% of our day excursion tickets from the southern terminal. At the asking price, we felt Bridal Veil was a marginal investment and allowed our option to purchase the property to expire unexercised. It has since been purchased by a Provo group. (see 1975 section for discussion of plans for the coming season.)

4. During 1974 we operated the concession car at a profit. Increased numbers of passengers and on-the-site management seemed to be the deciding factors.

5. We expanded the joint promotional program with Associated Grocers and carried nearly 3,000 passengers as a result.

6. We introduced a new joint promotional plan with Zion motors. Although we cannot point to the number of passengers attracted directly because of this program as the outstanding feature, we feel the program was done in good taste and gave us media exposure our budget just could not stand.

7. We were successful in encouraging the Chamber of Commerce to re-erect the signs featuring the Creeper at either end of the valley. We picked up some additional exposure by placing signs over the existing Bridal Veil signs. We also introduced highway billboards into our advertising plan with favorable response.

Some operating statistics to supplement the attached financial statements may be of interest:

1. Including regular runs, charters, and the NIGHT TRAIN, we carried in excess of 48,000 passengers during the season.

2. The average fare for day excursion passengers was \$3.80.

3. Of all day excursion passengers, 62.9% purchased adult and 32.1% purchased child tickets.

4. Seventy-five percent of day passengers paid full fare. Twenty-five percent were on a discount program.

5. Of all day passengers, 12.3% purchased one-way tickets -- 9.3% from the Heber Depot and 20.3% from Bridal Veil.

6. Nearly 50% of our passengers made advance reservations.

7. Our "Fall Color" promotion in which we distributed discount flyers at the State Fair was second to the AG promotion in total numbers of passengers attracted with over 600 responses.

Financially, the following observations seem relevant:

1. Cash in bank -- Although we were in considerably better position than at the end of 1973 (\$10,279.94 vs overdraft of \$22,975.55), we still do not generate sufficient dollars during our short season to weather the winter.

2. Inventory -- Because of an expanded gift shop operation at the Heber Depot and Bridal Veil Falls, we are carrying over a gift inventory valued at \$1700.

3. Inventory - fuel and oil -- In anticipation of an expanded season, we have allowed our fuel inventory to grow to \$2200.

4. Pre-paid expenses -- primarily insurance reflects an increase over the prior year of \$1400.

5. Restoration of cars -- The NIGHT TRAIN capital investments account for the majority of the \$11,500 change from 1973.

6. Equipment — Purchase of a lathe and other miscellaneous items are reflected in the \$2300 change.

7. Truck and auto — During 1974, we wrote off two trucks, one of which was wrecked and should have been written off in 1972. We also acquired a used pickup and re-financed the diesel tractor to account for the \$2500 expenditure.

8. Leasehold improvements — We contractually agreed to a \$2,000 leasehold improvement expenditure at Bridal Veil and continued to improve our Heber holdings.

9. Track and signals — Capital expenditures in this account should be budgeted annually. Next to wages, the Provo River bridge re-decking project accounts for the most significant amount expended.

10. Pre-paid lease foundation — Substantial work on the #35 including payment in stock for labor accounts for the year-to-year change.

11. Loan payable-SBA — This account continues to drop as we make monthly payments.

12. Loan payable-Zions — To refinance the Ford tractor we had to reduce the principal by \$2,000.

13. Loans from stockholders and officers — The loans made to the company a year ago have been partially repaid.

14. Capital stock — This account reflects the addition of new stockholders via last winter's "work-for-stock" program.

15. Income — In addition to a better year for ticket sales (up 30% from 1973), diversification and new concepts provided an overall 40% increase in gross revenue.

16. Advertising — By zeroing in on a smaller market, we achieved better effectiveness and a reduction in expenditure of \$5,000.

17. Wages — Based on Bridal Veil, more runs, and a 30% pay increase for engineers, firemen, and conductors, this account reflected the anticipated increase.

18. Fuel, Oil, and Grease — Additional runs and increases in cost for coal and all petroleum products except fuel for the engines resulted in a \$2500 increase over 1973.

Otherwise expenses, fanned by inflation, showed some overall increase over 1973.

During the latter part of 1974, Museum and other loyal helpers began significant projects on a "work-for-stock" basis. Re-decking the Provo River bridge in Charleston carried the number one priority. This bridge had scarcely been touched since it was built in 1939. Turning the pony and trailer truck wheels on the #35 and reworking the suspension, additional

work on the Shay, and a variety of smaller projects kept the engine house humming for most of the winter.

Outlook for 1975

The 1975 season could look gloomy if one were to pay too much attention to the current state of the economy, the threat of higher taxes and prices on gasoline, or the continuing inflationary spiral. Experience gained in 1974 should be another year of growth. While it is true that 8 to 10% of the labor force may be unemployed, the other 90 to 92% are working, have money, and are looking for a recreational outlet. The Wasatch Front should again be our most productive target area for our advertising and marketing efforts.

The 1975 season has been set as follows:

School charters	April 28 — June 13
Weekend runs	<i>Mothers Day</i> May 10 — Memorial Day
Daily operations	Memorial Day — Labor Day
Weekend runs	Labor Day — October 5

3000 now booked

2 more trains

The NIGHT TRAIN will operate weekends from May 9, through the season.

The basic 1975 schedule has been set as follows:

Departures	
Heber City	11:00 a.m. 3:15 p.m. 7:30 p.m. NIGHT TRAIN
Bridal Veil	1:15 p.m. 5:15 p.m. one-way

We have operated for two seasons now at the same fare. Inflation has hit the Creeper as it has every individual, family, and business entity. Therefore, by directive from the Board of Directors, we have petitioned the Public Service Commission for permission to increase basic fares by 10%. If such permission is granted, round trip day excursion fare for adults will be \$5.50 and \$2.75 for children.

We expect to add two new trains this season:

1. Individuals in the food business in Heber Valley have long maintained that Sunday afternoon was one of the best dinner hours in the week. In response to this, we plan to run a Sunday edition of our NIGHT TRAIN out of Heber City at 4:30 p.m.

2. During our four years of learning the scenic steam railroad business, one of our most frequent complaints — especially from the large family — was the expense of an excursion. In response to this, we are planning a Monday Night Family Special for Ma and Pa and all the kids at \$10.00. This train will provide a wholesome night out for family togetherness at bargain rates. We hope to capitalize on the designation of Monday as Family Night by the predominant religious faith in the area. This will be an abbreviated excursion to the Deer Creek Dam and return with a consist similar to our afternoon runs.

With 1974 experience behind us, we are modifying our school charter

program to some extent:

1. We contacted a somewhat limited number of schools last year, primarily because certain districts did not have sufficient gas budgets to allow field trips. This year we are contacting virtually every school within a 150 mile radius.

2. Last season we advertised a round-trip excursion to the Dam and back. We learned early that one-way was more than adequate and ended up with an empty return trip. This year we are offering two choices of departure: From Heber City at 10:30 a.m. or from Deer Creek Dam at 12:00 noon.

3. Last season we learned that many schools would have liked an opportunity to try the charter in early June. Since early June business is not all that good anyway, we are making one-way trips to Bridal Veil available on Monday through Friday, through June 13th.

4. We have modified our public address presentation to provide the educational aspect of the trip and plan to give informational/ promotional souvenir sheets to each participant.

We have contacted the new owners of Bridal Veil Falls and have been assured that we may have space in their complex for ticket sales. They expect to operate a gift shop and some form of food sales. It is doubtful if they will be able to have the tram operational. We have discussed the problems they face with inadequate rest room facilities, limited parking, etc. and have encouraged them to address these problems for their own good and for the enhancement of the southern terminal of the railroad operation.

Our advertising/promotional approach for 1975 will be modeled after 1974 and include at least the following elements:

1. Cooperative promotions with Associated Grocers and Zion Motors in May, June, and July, similar to 1974.

2. We will continue our participation with Deseret Federal Savings with exposure in their fine Savers Club publication, "Compas".

3. We will again be part of the "Happenings" promotion.

4. We will again distribute up to 50,000 four-color brochures and timetables. This years brochure will feature revised copy and one or two new color photos.

5. We plan highway billboard advertising which was introduced in 1974.

6. Our media buys will be concentrated in newspaper with some radio. Television production and time costs are still prohibitive for our budget.

7. We plan a new poster for widespread distribution.

8. We are planning a unique "table tent" production which was done on an experimental basis in 1974. This years model features a sort of

paper tunnel with tracks running through. It carries suitable copy and is scheduled for wide distribution in cafes, motels, etc.

9. We expect to repeat our "Fall Color Express" promotion at the State Fair..

10. Greyhound tours has indicated a desire to cooperate in a group package tour program.

11. We expect to pursue the group and charter business through personal contact, direct mail, and telephone techniques.

In a recent board meeting, management has authorized to pursue financing for a broad expansion/diversification phase. Included in plans for 1975 are:

1. Feasibility study of State Park -- As a initial step toward development of the Master Concessionaire concept and plan with matching government funds and possible outside investor funds, the feasibility study will be contracted to a firm with a national reputation.

2. Lease Stardust Cafe and Motel -- To handle food on the train, acquire a year around viable entity, and make attractive package promotions possible, the Stardust Cafe and Motel -- subject to final negotiations -- will be leased May 1, 1975

3. Winterize Creeper -- To prepare for winter operations in the 1975-76 season. We expect to:

- a. Winterize rolling stock
- b. Winterize engine house, water softener, etc.
- c. Install a standby boiler and depot heating plant
- d. Acquire a snow plow
- e. Complete track work in yard and crossings
- f. Acquire and install a radio communications system

4. Acquire diesel locomotive -- Where a breakdown during the summer is an inconvenience, it could be a disaster in winter. A diesel will make an important addition to overall operations.

5. Double NIGHT TRAIN -- To increase capacity and profitability, a second diner and lounge will be added by Thanksgiving.

6. Buy out food concession -- To handle all aspects of food on the train by having a backup cafe will necessitate purchase of the food concessionaire's investment.

7. Restore 2 Spot -- To provide another economical backup engine, restoration of the 2 Spot will commence during 1975.

8. Acquire 2 buses -- To enhance the winter operation by providing transportation for Park City skiers and to provide greater flexibility in boarding and departures, we will acquire and recondition two used school buses.

*Food People
all had
been contacted
X*

9. Upgrade track -- To enhance overall operations, considerable track renovation will commence in 1975.

10. Construct portable depot -- To enhance boarding and departure flexibility, and to reduce dependence on the whims of Bridal Veil Falls operators, a railroad car will be converted into a self-contained depot, gift shop, and snack bar for use anywhere along the right-of-way.

In summary, 1975 is as exciting as any season we have faced. Our company is growing, we are taking steps to lengthen our season and to diversify our operation which we have recognized as a necessity for several years.

Sincerely,

Lowe Ashton
President